

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2020-225-WS - ORDER NO. 2021-93

FEBRUARY 22, 2021

IN RE: Joint Application for Approval of the Sale of)	ORDER APPROVING
Assets and Transfer of Facilities, Territory,)	TRANSFER OF ASSETS
and Certificate of Public Convenience and)	AND NAME CHANGE
Necessity from CUC, Incorporated to South)	AND GRANTING
Carolina Water Utilities-CUC, Incorporated)	CONFIDENTIAL
)	TREATMENT OF
)	CERTAIN RECORDS

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Application of CUC, Incorporated (“CUC”) and South Carolina Water Utilities – CUC, Inc. (“SCWU - CUC”) (together, “Joint Applicants”) for approval of a sale and transfer of assets, including water and wastewater facilities, territories, and certificates of public convenience and necessity, from CUC to SCWU-CUC (“Application”). The transfer will enable SCWU-CUC to provide water and wastewater service to customers on Callawassie Island, Spring Island, and Chechessee Bluff in Beaufort County. Exhibit B to the Application is an executed Asset Purchase Agreement between CUC and SCWU-CUC. The transaction is contingent on the approval of the Commission. Joint Applicants seek expedited review of the Application for approval the sale and transfer of assets from CUC, a waiver of hearing, and issuance of a Certificate of Public Convenience and Necessity (“CPCN”) in the new name of “South Carolina Water Utilities-CUC, Inc.”

Joint Applicants are represented by Charles L.A. Terreni, Esquire. The South Carolina Office of Regulatory Staff (“ORS”), a party of record pursuant to S.C. Code Ann. § 58-41-10(B) (Supp. 2019), is represented by Alexander W. Knowles, Esquire and Jeffrey M. Nelson, Esquire.

II. PROCEDURAL HISTORY

The Joint Application was filed with the Commission on September 4, 2020. The Application was accompanied by a Motion for Name Change requesting that the Commission issue a CPCN in the name of “South Carolina Water Utilities-CUC, Inc.” By letter dated September 17, 2020, the Clerk’s Office of the Commission instructed Joint Applicants to provide Notice of Filing (the “Notice”) to customers and the County Administrator where CUC provides service on or before October 2, 2020, and provide certification that notification was furnished no later than October 19, 2020. The Notice detailed information regarding the Application and set an intervention deadline of October 19, 2020. Notice was mailed to CUC’s customers on September 29, 2020, and published in the *Beaufort Gazette* and *Hilton Head Island Packet* on September 20, 2020. No person intervened as a party of record and the Commission did not receive any objection to the Application.

On September 18, 2020, the Callawassie Island Property Owners Association and Spring Island Property Owners Association (together, “POAs”) filed letters supporting the Application. A Stipulation Agreement between Joint Applicants and ORS was filed with the Commission on January 17, 2021.

Joint Applicants filed a Motion on September 4, 2020 asking the Commission to grant confidential treatment of Exhibit B to the Application, which is also known as the Asset Purchase Agreement (“APA”). The Joint Applicants also filed a Motion for Confidential Treatment of Appendix A (Cash Management Practices) to the Stipulation Agreement on January 17, 2021.

III. SALE AND TRANSFER OF CUC TO SCWU-CUC

CUC is a closely held corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of S.C. Code Ann. § 58-5-10(3) and its operations in this State are subject to the Commission's jurisdiction over CUC's rates, charges, tariffs, and terms and conditions of service as generally provided in S.C. Code Ann. §§ 58-5-210 et seq. CUC serves the Callawassie Island, Spring Island, and Chechessee Bluff residential subdivisions in Beaufort County, as well as a limited number of commercial establishments in these areas.

SCWU-CUC is a corporation duly organized and existing under the laws of the laws of the State of Delaware and is authorized to do business in the State of South Carolina. SCWU-CUC is a wholly owned subsidiary of SouthWest Water Company (“SouthWest”), a Delaware limited liability company which operates water and wastewater utility systems in five states. In South Carolina, SouthWest indirectly owns Kiawah Island Utility, Inc. and other utilities.¹ Kiawah Island Utility, Inc. is a public utility providing water and sewer service to approximately 4,174 water and 3,627

¹ In addition to Kiawah Island Utility, Inc., SouthWest also indirectly owns Harbor Island Utilities, Inc., T.J. Barnwell Utility, Inc., Palmetto Utilities, Inc., and Palmetto Wastewater Reclamation, LLC.

wastewater customer connections in Charleston County, and South Carolina Water Utilities, Inc. serves approximately 420 water and 724 wastewater customers in Beaufort County

In letters of support filed by the POAs, the associations cite an agreement they negotiated with SCWU-CUC – which provides that the utility will not apply for a rate increase before January 1, 2025 – as reason for their support of the Application. In the Stipulation Agreement, ORS agreed not to object to the Joint Applicants’ request for approval of the Asset Purchase Agreement, expedited consideration, and waiver of hearing. Stipulation, p. 6 ¶ 15. SCWU-CUC made several commitments. Notably, SCWU-CUC agreed not to seek recovery of any acquisition premium or transaction costs related to its agreement to purchase CUC’s assets. Stipulation, p. 3, ¶ 1. SCWU-CUC will provide customers certain service enhancements, including online billing, a company website, and the option to pay by credit card within one hundred twenty (120) days of closing. Stipulation, p. 5, ¶ 9. SCWU-CUC will issue \$33,508 in refunds related to the 2017 Tax Cuts and Jobs Act within two billing cycles of closing. Stipulation, p. 5, ¶ 9. SCWU-CUC will continue to charge the rates and charges approved by the Commission for CUC in Order No. 2020-94; file updated South Carolina Department of Health and Environmental Control (“SC DHEC”) water operating and wastewater disposal permits with the Commission; file performance bonds in the amount of \$350,000 for water and \$350,000 for wastewater within thirty (30) days of completing the sale and transfer; and maintain compliance with all Commission rules and regulations.

IV. LAW

No water or wastewater utility may sell, acquire, or transfer assets without Commission certification that the sale, acquisition, or transfer is in the public interest. S.C. Code Ann. Regs. 103-504 (2012) and S.C. Code Ann. Regs. 103-704 (2012). Notice and due hearing are required in applications for transfer of a public utility. *Id.* However, the hearing may be waived “upon a finding by the Commission that such waiver is not contrary to the public interest.” S.C. Code Ann. Regs. 103-501(3) (2012) and S.C. Code Ann. Regs. 103-701(3) (2012).

V. DISCUSSION

Here, approval of the Application is appropriate. Affected ratepayers and customers of CUC have received notice. In addition, the Spring Island Property Owners Association and Callawassie Island Property Owners Association have notified the Commission in writing that they do not object to the Application. The Stipulation Agreement executed between Joint Applicants and ORS provides, among other things, for waiver of formal hearing and a statement that SCWU-CUC shall operate the water and wastewater systems currently owned and operated by CUC under Commission-approved rates and charges.

Waiver of hearing is also appropriate and not contrary to the public interest. The Application is unopposed, and notice was given to SC DHEC and Beaufort County. Neither governmental entity filed comments. CUC’s facilities and tangible and intangible assets are being transferred to a utility with an established record of providing service in South Carolina. SCWU-CUC’s managerial and financial wherewithal have been

previously vetted by the Commission, and they have proven that they operate within the Commission's rules and regulations.

Accordingly, the Application of CUC and SCWU-CUC should be approved and the request for waiver of hearing granted.

VI. MOTIONS FOR CONFIDENTIAL TREATMENT

CUC and SCWU-CUC are closely held corporations who proclaim sensitivity of their financial and business information. The Joint Applicants seek confidential treatment of the APA and Appendix A (Cash Management Practices) on the grounds that public disclosure would "jeopardize SCWU[-CUC]'s relationship with its investors and harm [SCWU-CUC's] ability to compete in the provision of utility services in South Carolina." Joint Applicants declare they take steps to maintain confidentiality of the redacted information. Internally, disclosure is limited to senior officers, counsel, and employees directly involved with financial operations. Externally, any required public disclosure is stamped "Confidential."

The South Carolina Freedom of Information Act ("FOIA" or the "Act") exempts trade secret information from disclosure. *See* S.C. Code Ann. § 30-4-40(a)(1) (Supp. 2020).

The Joint Applicants seek confidential treatment of the APA and Appendix A (Cash Management Practices), in part, to protect commercially-sensitive information. CUC and SCWU-CUC, as closely held corporations, are not required to publicly disclose certain financial information. In recognition of this, the Joint Applicants implement internal controls to safeguard the information and label such information "Confidential" when

required to make disclosure to public authorities. The redacted information generally describes internal financial practices and purchase price, terms of payment, employee information, and assets excluded from the transaction related to the transfer assets from CUC and SCWU-CUC. It qualifies as protected information. Accordingly, the Commission should grant the Motions for Confidential Treatment.

VII. FINDINGS OF FACT

1. CUC is a public utility subject to the jurisdiction of the Commission. CUC provides water and wastewater service to the public in certain areas of Beaufort County.

2. SCWU-CUC is subsidiary of SouthWest, which operates water and wastewater utility systems in five (5) states. SouthWest indirectly owns Kiawah Island Utility, Inc. and other utilities in South Carolina. SouthWest is an established utility in South Carolina.

3. Transferring the assets of CUC to SCWU-CUC as outlined in the Asset Purchase Agreement² executed by the parties is conditioned in part upon the Commission issuing its Order approving the transfer.

4. The rates in effect for CUC's customers will not be changed by this transaction.

5. No petitions to intervene, letters of objection, or public comment have been received to date.

6. Waiver of a formal hearing in this matter is not adverse to the public interest.

² Exhibit B to the Application.

7. This transfer from CUC to SCWC – CUC is to another public utility (a) with an established record in South Carolina of providing service, (b) with managerial, financial and operations having been vetted previously by the Commission, and (c) with demonstrated compliance to Commission Rules and Regulations in its operations and when providing service.

8. The Stipulation Agreement between the Joint Applicants and ORS is just and reasonable and in the public interest. The Stipulation Agreement is a reasonable resolution of the issues in this matter.

9. The Consent to Assignment and Assumption between Joint Applicants and Spring Island Property Owners Association is just and reasonable and in the public interest.

10. The Consent to Assignment and Assumption between Joint Applicants and Callawassie Island Property Owners Association is just and reasonable and in the public interest.

11. The Asset Purchase Agreement (Exhibit B to the Application) contains trade secret information, business sensitive, and proprietary information.

12. Appendix A (Cash Management Practices) to the Stipulation Agreement contains trade secret information, business sensitive and proprietary information.

VIII. CONCLUSIONS OF LAW

1. CUC is a public utility. S.C. Code Ann. § 58-5-10(4) (2015).

2. Transfer of CUC's assets to SCWU-CUC is in the public interest. S.C. Code Ann. Regs. 103-504 (2012) and S.C. Code Ann. Regs. 103-704 (2012).

3. The Motion for Name Change should be granted. S.C. Code Ann. Regs. 103-504 (2012) and S.C. Code Ann. Regs. 103-704 (2012).

4. The Commission has the discretion to waive the formal hearing upon a finding that waiver is not adverse to the public interest. S.C. Code Ann. Regs. 103-501(3) (2012) and S.C. Code Ann. Regs. 103-701(3).

5. Based on the above findings and information in the Docket, the Commission concludes that the requested sale and transfer should be approved.

6. The Motion for Confidential Treatment of the Asset Purchase Agreement (Exhibit B to the Application) should be granted. S.C. Code Ann. § 30-4-40(a)(1) (Supp. 2020).

7. The Motion for Confidential Treatment of Appendix A (Cash Management Practices) to the Stipulation Agreement should be granted. S.C. Code Ann. § 30-4-40(a)(1) (Supp. 2020).

IX. ORDERING PROVISISONS

IT IS THEREFORE ORDERED THAT:

1. The Joint Application of CUC and SCWU-CUC for Sale of Assets and Transfer of Facilities, Territory to SCWU-CUC is approved.

2. The Motion for Name Change is hereby granted.

3. The Stipulation Agreement is incorporated into this Order by reference, is attached as Order Exhibit 1, and is hereby adopted and approved.

4. The Consent to Agreement and Assumptions between CUC, SCWU – CUC, and the Callawassie Island Property Owners Association and the Consent to Agreement

and Assumptions between CUC, SCWU – CUC, and the Spring Island Property Owners Association are incorporated into this Order by reference and is attached as Order Exhibit

2.

5. The Motion for Confidential Treatment of the Asset Purchase Agreement is hereby granted.

6. The Motion for Confidential Treatment of Appendix A (Cash Management Practices) to the Stipulation Agreement is hereby granted.

7. CUC's Certificate of Public Convenience and Necessity shall be canceled along with the performance bonds on file with the Commission.

8. SCWU-CUC is granted a Certificate of Public Convenience and Necessity and authorized to operate the water and wastewater systems currently owned and operated by CUC.

9. SCWU-CUC shall post performance bonds in the amount of \$350,000 for water and \$350,000 for wastewater within thirty (30) days of completing the sale and transfer.

10. SCWU-CUC will continue to charge the rates and charges in effect under Order No. 2020-94 and subsequent orders approving pass-through charges.

11. SCWU-CUC shall file updated SC DHEC water operating and wastewater disposal permits with the Commission upon their issuance.

12. SCWU-CUC will comply with all Commission rules and regulations related to the provision of water and wastewater service.

13. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



A handwritten signature in blue ink, reading "Florence P. Belser", is written over a horizontal line.

Florence P. Belser, Vice Chairman
Public Service Commission of
South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2020-225-WS

IN RE: Joint Application for Approval of the Sale of
 Assets and Transfer of Facilities, Territory,
 and Certificate of Public Convenience and
 Necessity from CUC, Incorporated to South
 Carolina Water Utilities-CUC, Incorporated

STIPULATION

This Stipulation is made by and between the South Carolina Office of Regulatory Staff ("ORS"), CUC, Inc. ("CUC"), South Carolina Water Utilities-CUC, Inc. ("SCWU-CUC"), (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, CUC owns and operates a water and wastewater utility in Beaufort County, South Carolina, and is a public utility as defined in S.C. Code Ann. § 58-5-10(4);

WHEREAS, SCWU-CUC is a Delaware corporation authorized to do business in South Carolina. SCWU-CUC is a wholly owned subsidiary of SouthWest Water Company, a Delaware limited liability company;

WHEREAS, on September 4, 2020, CUC and SCWU-CUC filed the Joint Application for Approval of the Sale of Assets and Transfer of Facilities, Territory, and Certificate of Public Convenience and Necessity from CUC to SCWU-CUC, ("Application") in the above-captioned docket;

WHEREAS, the Application requests, among other things, approval of the asset purchase agreement between CUC and SCWU-CUC dated September 1, 2020 ("Agreement");

WHEREAS, under the Agreement, subject to approval by the Public Service Commission of South Carolina ("Commission"), SCWU-CUC will acquire the water and sewer systems,

service territories, personal and business property, real property, easements, governmental authorizations (including the certificates of public convenience and necessity issued to CUC by the Commission, National Pollutant Discharge Elimination System permits, and other permits), and certain other property necessary for the operation of the CUC water and sewer systems;

WHEREAS, CUC and SCWU-CUC had extensive discussions with the Callawassie Island Property Owners Association ("CIPOA") and the Spring Island Property Owners Association ("SIPOA"), both of which were represented by counsel, regarding the Agreement, and

WHEREAS, as a result of those discussions, SCWU-CUC agreed, among other things, not to apply for a base rate increase before January 1, 2025, and

WHEREAS, CIPOA and SIPOA informed the Commission they did not object to the Agreement in letters that were filed with the Commission on September 18, 2020, and

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B);

WHEREAS, ORS conducted an examination of the Application and its exhibits and conducted discovery relating to the Application and Agreement, and based on its examination, does not object to the Application subject to the conditions enumerated below;

WHEREAS, the Parties engaged in discussions to determine if a stipulation would be in their best interests and, in the case of ORS, in the public interest; and,

WHEREAS, following those discussions, the Parties determined that their interests, and ORS determined that the public interest, would be best served by stipulating to an agreement regarding issues pending in the above-captioned case under the terms and conditions set forth herein;

A. STIPULATION OF AGREEMENT

1. SCWU-CUC will not recover from its customers, in this or any future proceeding, any acquisition premium (goodwill) costs or transaction costs associated with the sale of assets, facilities, territories and certificates of public convenience and necessity, or any other costs incurred in connection with the consummation of the Agreement or the process of developing and obtaining approval of the Application. SCWU-CUC will not record any portion of the purchase price allocation adjustments associated with the sale on its books, except as required by Generally Accepted Accounting Principles. Neither acquisition premium (goodwill) costs nor transaction costs related to this transaction will be included in the cost of capital calculation for or charged to SCWU-CUC or any other current or future regulated South Carolina subsidiary of its parent company, SouthWest Water Company ("SouthWest"). When Generally Accepted Accounting Principles require such costs to be recorded on SCWU-CUC books, they will be reflected below-the-line to ensure they are excluded from rate recovery.

2. Transition costs may be evaluated in a general rate proceeding and ORS reserves its right to review and make recommendations related to the expenses in future proceedings.

3. The following definitions shall apply:

- a. Goodwill. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The terms goodwill and acquisition premium are used interchangeably for ratemaking purposes. Goodwill will not be determined until the closing date of the transaction; at which time it will be based on the fair value of CUC's identifiable assets and liabilities.

- b. Transaction costs. Transaction costs include any costs incurred in connection with completion of the acquisition of CUC by SCWU-CUC including costs of obtaining all necessary regulatory approvals for the sale and any payments identified in the Agreement. Examples of such costs include, but are not limited to, legal fees and expenses, regulatory filing fees, costs of developing and pursuing regulatory approvals, accounting fees, interest, prepayment penalties, financial advisory fees, and banking fees.
 - c. Transition costs. Transition costs are generally costs arising from the activities necessary to integrate the purchased entity into the acquiring entity. Examples of transition costs include those related to, but not limited to, the integration of financial, IT, human resource, billing, accounting, and telecommunications systems and processes. Other examples of costs could include, but are not limited to, severance payments to employees and costs related to changes to signage, the cost of transitioning employees to post-merger employee benefit plans, and termination of any duplicative leases, contracts, operations, etc.
4. Should SCWU-CUC seek recovery through rates any expenses related to the employment of the current shareholders of CUC in any future proceeding, ORS reserves its right to review and make recommendations related to the expenses in those future proceedings.
5. The Parties agree the SouthWest Cost Allocation Manual will be reviewed for prudence in a future proceeding, and ORS is not precluded from addressing the reasonableness of the SouthWest Cost Allocation Manual in any future proceeding for any current or future regulated SouthWest subsidiary.

6. SCWU-CUC shall not lend cash or other capital directly to SouthWest or any other subsidiary entity of SouthWest except for routine and prudent cash management practices in accordance with Appendix A to this Stipulation. .

7. SCWU-CUC shall not be the guarantor of any debt of SouthWest or any other SouthWest affiliate, unless the debt is incurred for purposes specific to the SCWU-CUC's system and operations.

8. SCWU-CUC will provide customers with the service enhancements listed in Item 12 of the Application within one hundred twenty (120) days of the acquisition closing. These service enhancements include online billing, a company website, and the option of paying with a credit card.

9. SCWU-CUC will provide customers with the refunds related to the 2017 Tax Cuts and Jobs Act listed in Item No. 26 of the Agreement and ordered by the Public Service Commission of South Carolina ("Commission") in Docket No. 2019-64-WS, Order No. 2020-94, issued on January 30, 2020 in the amount of \$33,508 within two (2) billing cycles of the closing of the acquisition. In addition, SCWU-CUC will notify both the Commission and ORS once the refunds to customers have been issued.

10. SCWU-CUC will discontinue the practice of billing customers Availability Fees. ORS reserves its right to review and make recommendations related to the accounting treatment related to Availability Fees in future proceedings. The Commission in Order No. 2020-94 ordered that "CUC shall eliminate Availability Fees as soon as practicable." In addition, CUC issued notice to customers, filed with the Commission on February 6, 2020, which stated that CUC would stop billing Availability Fees in March 2020.

11. The due date reflected on SCWU-CUC bills shall remain the 25th day of the month, until such time as approved otherwise by the Commission, if requested by SCWU-CUC.

12. SCWU-CUC shall file performance bonds in the amounts of \$350,000 for sewer operations and \$350,000 for water operations in compliance with S.C. Code Ann. § 58-5-720.

13. SCWU-CUC will maintain its customer service at no less than current levels and monitor service and performance following the sale to ensure that customer service levels do not degrade for reasons attributable to the sale.

14. SCWU-CUC will maintain the environmental monitoring, operations and maintenance programs at or above current levels.

B. REMAINING STIPULATION TERMS AND CONDITIONS

15. The Parties stipulate and agree that ORS does not object to the Joint Applicants' request for Commission approval of the Agreement, for permission for SCWU-CUC to operate the water and sewer systems currently owned and operated by CUC under the schedules of rates and charges currently approved by the Commission, and to the Joint Applicants' request for expedited approval of the Application and waiver of a formal hearing;

16. The Parties agree that this Stipulation is reasonable, is in the public interest, and is in accordance with law and regulatory policy. This Stipulation in no way constitutes a waiver or acceptance of the position of either of the Parties in any future proceeding. This Stipulation does not establish any precedent with respect to the issues resolved herein and in no way precludes any Party herein from advocating an alternative position in any future proceeding.

17. The Parties agree to cooperate in good faith with one another in recommending and advocating to the Commission that this Stipulation be accepted and approved by the Commission in its entirety as a fair and reasonable resolution of certain issues currently pending in the above-

captioned proceeding and detailed herein, and to take no action inconsistent with its adoption by the Commission. The Parties agree to use their best efforts to defend and support any Commission order issued approving this Stipulation and the terms and conditions contained herein.

18. If the Commission declines to approve this Stipulation in its entirety, then any Party may withdraw from the Stipulation without penalty or obligation.

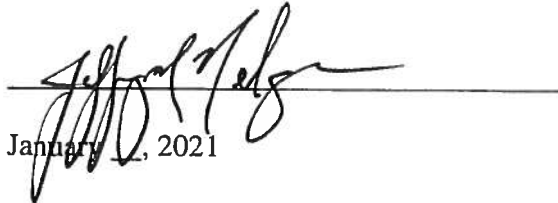
19. This Stipulation shall be interpreted according to South Carolina law.

20. The Parties represent that the terms of this Stipulation are based upon full and accurate information known as of the date this Stipulation is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Stipulation is based, either Party may withdraw from the Stipulation with written notice to the other Party.

21. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Stipulation, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

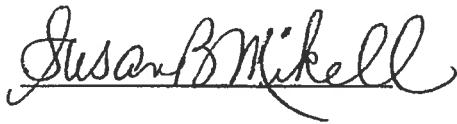
Representing the South Carolina Office of Regulatory Staff



January 14, 2021

Jeffrey M. Nelson, Esquire
Alexander W. Knowles, Esquire
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: 803-737-0823
803-737-0794
803-737-0889
E-Mail: jnelson@ors.sc.gov
aknowles@ors.sc.gov

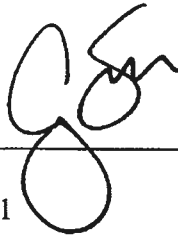
Representing CUC, Incorporated



January 15, 2021

Susan B. Mikell
President, CUC Incorporated
3779 Byrnes Boulevard
Florence, SC 29506
Phone: (843) 669-0130
Phone: ~~803-727-2200~~ 843-992-5960
E-Mail: smikell@aol.com

Representing South Carolina Water Utilities - CUC, Incorporated



January 15, 2021

Craig Sorensen
President, South Carolina Water Utilities – CUC, Incorporated

Charles L.A. Terreni
Terreni Law Firm, LLC
1508 Lady Street
Columbia, SC 29201
Phone: (803) 771-7228
E-mail: Charles.terreni@terrenilaw.com

Appendix A
Cash Management Services
As of January 14, 2021

Background:

SouthWest Water Company ("SWWC") supports each of its operating utilities by providing an array of centralized cash management services as more fully described in this document. The purposes of this centralization is to promote efficient operations at each business, ensure each operating business has sufficient cash to fund operating and capital requirements, employ high quality practices and allow the utilities to benefit from certain economies of scale, which are passed on to customers of the utilities.

This document serves as a confidential description of SWWC's cash management services and practices effective as of the date first written above. Changes may be made periodically that are consistent with changes in banking services, pricing, and/or in the interests of efficient practice while always funding the operating and capital requirements and maintaining highly accurate books and records for each utility.

Banking, Zero Balance Accounts, Accounting Entries

- SWWC manages the banking relationships for SWWC and all operating utilities.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Banking: Wire Transfer and ACH Payments

[REDACTED]

Accounts Payable, Credit Card, Fuel Card

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Payroll

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Surety bonds

- SWWC maintains a centralized relationship with surety brokers and surety companies that periodically may issue a surety bond in support of local utility operations.
- South Carolina PSC currently is the beneficiary on several such surety bonds.
- SWWC provides credit support to these bonds which is a necessary inducement – in the alternative each utility may be required to provide cash collateral to the surety.

Banking: Online Bill Pay, Credit Card and ACH File Transmissions (customer payments)

- SWWC maintains a robust online platform for electronic bill presentment and payment. Using this website, a utility customer may view their bill, see usage history and initiate payments via either (a) credit card or (b) ACH payment.

[REDACTED]

Intercompany advances

[REDACTED]

Utility and non-utility Operations in SouthWest Water Company

As more fully described below, a very small portion of SouthWest's business is involved in 'non-utility' lines of business. At a high level, these operations represent approximately █% of SouthWest's revenues, █% of its Earnings before Interest, Taxes, Depreciation and Amortization ('EBITDA') and █% of its assets. In addition, those businesses which are considered 'non-utilities' are supportive of SouthWest's long term strategy to grow its water and wastewater utility businesses.

There are █ that we believe fit into this category: █

█ provides utility expertise to operate and maintain water and wastewater districts and municipalities on a contractual basis to █ water and wastewater utilities in Alabama. The contracts obligate SouthWest to provide water and/or wastewater operations, inspections, equipment maintenance, and/or utility customer service including call center, dispatch, billing and collection services. In short, these are operations management and/or project management related services. █ incurs no significant capital investment requirements or financial risks under these contracts.

As of December 31, 2020, there are █ service contracts. Estimated annual revenues are \$ █ million generating \$ █ million in EBITDA with assets of about \$ █ million.

█ has two separate █ contracts:

- █ Supplier of potable water to █ Municipal Utility Districts (MUDs) in █, Texas (█) with approximately █ meter equivalents, with a remaining contract term of █ renewable for another █ years.

- [REDACTED] Supplier of raw water to the City of [REDACTED] Texas for about [REDACTED] meter equivalents through [REDACTED].

Estimated annual revenues are \$ [REDACTED] million generating \$ [REDACTED] million in EBITDA with assets of about \$ [REDACTED] million.

[REDACTED] provides [REDACTED] for commercial and residential customers in the [REDACTED] Oregon area.

Estimated annual revenues are \$ [REDACTED] million generating [REDACTED] million in EBITDA with assets of about \$ [REDACTED] million. Of note, the largest customer of [REDACTED], another SouthWest Water Company subsidiary.

Ni SC Environmental Services, Inc.

Ni SC Environmental Services, Inc. operates a septage receiving station that takes wastewater and solids from septic tanks and other sources in the Columbia, SC area.

Estimated annual revenues are \$ [REDACTED] thousand generating \$ [REDACTED] thousand in EBITDA with assets of about \$ [REDACTED].

1710 Woodcreek Farms Road, Inc.

This company owns the office building at 1710 Woodcreek Farms Road in Elgin, SC. The space in this building is leased to the Ni SC operating utilities (PUI and PWR); total revenue of \$ [REDACTED] and EBITDA of \$ [REDACTED].

Ni America Operating, Inc.

As part of the acquisition of Ni America's operating companies in September 2020, SWWC acquired the equity interests in multiple legal entities, including "Ni America Operating, Inc." This entity provides administrative support services to the other Ni America businesses, including Palmetto Utilities, and Palmetto Wastewater Reclamation. This entity does not incur any significant capital expenditures or operating risks.



Shared services are provided by SouthWest Water Company corporate functions of management, legal, information technology, finance, human resources, and facilities to all its subsidiaries. Costs associated with these shared services are allocated to SouthWest Water Company's subsidiaries using a three-factor methodology. SouthWest Water Company utilizes the factors of gross plant, operating expenses, and payroll expenses, all equally weighted.

In conclusion, SouthWest is principally involved in the ownership and management of operating water and wastewater utilities. It should be noted that currently 1) over 96% of SouthWest's business is considered in the 'utility' business, 2) the businesses described herein as 'non-utility' operations are low risk businesses in support of utility operations, and 3) the businesses described herein as 'non-utility' operations represent a very small fraction of SouthWest's total operations and do not pose a financial threat to SouthWest's utility operations.

As SouthWest continues to grow through acquisitions and organically, the focus of the company will remain on owned water and wastewater utilities. Accordingly, SouthWest anticipates that 'non-utility' operations will not exceed 25% of its revenue in the future.

-end-



EXHIBIT C
Agreement between Joint Applicants and
Spring Island Property Owners Association

CONSENT TO ASSIGNMENT AND ASSUMPTION

THIS CONSENT TO ASSIGNMENT AND ASSUMPTION (this “Consent”) is made and entered into as of this 28th day of August, 2020, by and among Spring Island Property Owners Association (the “Consenting Party”), CUC, Inc. (“Assignor”), and South Carolina Water Utilities – CUC, Inc. (“Assignee”).

In connection with the sale by Assignor of its business to Assignee (the “Transaction”), the Consenting Party hereby consents to the assignment to Assignee of the certain Water and Sewer Facility Sales and Operating Agreement, dated as of July 20, 1990 by and among Assignor, the Consenting Party (by assignment from Spring Island Company, LP) and Callawassie Island Property Owners Association (by assignment from Callawassie Island Company, LP) (as amended, the “Agreement”), such assignment being effective upon the closing of the Transaction. The Consenting Party and Assignee further acknowledge that the Agreement shall continue following the closing of the Transaction in full force and effect in accordance with the terms and conditions thereunder.

The Consenting Party acknowledges that effective upon the closing of the Transaction, Assignee shall assume the liabilities and obligations of Assignor under the Agreement to the extent that such liabilities or obligations first arise or accrue on or after the closing. Upon the closing of the Transaction, Assignee agrees to be bound by the terms and conditions of the Agreement.

The Consenting Party’s consent to the assignment of the Agreement to Assignee is contingent upon, and by its execution hereof, Assignee hereby acknowledges, confirms and agrees to the following:

1. If (i) the Consenting Party supports Assignee's filing with the South Carolina Public Service Commission (the “PSC”) seeking approval of the Transaction (by delivering an executed letter on terms substantially similar to the form attached hereto as Exhibit A); (ii) the Consenting Party files said letter with the PSC within thirty (30) days of notice from Assignee that it has filed its Application (as defined in the attached form of support letter) with the PSC and (iii) the closing of the Transaction occurs, then Assignee will not apply for a rate increase with the applicable governmental authorities until January 1, 2025 at the earliest.
2. If Assignee discovers that any of the systems, equipment or assets of Assignor violate any applicable law or governmental regulations, or otherwise pose a threat or create a risk to human health or the environment, Assignee will remedy such deficiencies or defects in an expedient manner and will not (other than in connection with a general rate increase before the PSC, which Assignee acknowledges it will not apply for until January 1, 2025 at the earliest) pass any costs associated with such remedial efforts on to the Consenting Party.
3. The Agreement and governing documents of the Consenting Party contemplate the installation of private wells for, among other things, irrigation and water-source heating and cooling systems. Assignee acknowledges that all wells installed on or before the date of this Consent shall be permitted to remain and continue to be used in the capacity being used as of the date of this Consent. In addition, future installations of wells for the purpose of irrigation and water-source heating and cooling systems, in accordance with the terms of the Agreement and the Consenting Party’s governing documents, shall be permitted to be installed without interference from Assignee.

4. Assignor and Assignee acknowledge that that nothing contained herein shall operate as a waiver of the Consenting Party's right of first refusal (as set forth in the Agreement) if the Transaction does not close, nor the Consenting Party's right of first refusal in the event of a subsequent sale of the outstanding shares of, controlling interest in, or assets of, Assignee.

This Consent shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns. In the event that the Transaction is not consummated for any reason, then this Consent shall be null and void and of no force or effect. This Consent may be executed in multiple original or electronic counterparts, each of which is an original, but all of which shall constitute one instrument. This Consent shall be construed in accordance with the laws of the State of South Carolina. In the event it becomes necessary for either party hereto to file suit to enforce this Consent or any provision contained herein, the party prevailing in such suit shall be entitled to recover, in addition to all other remedies or damages, as provided herein, reasonable attorneys' fees, paralegal fees, and costs incurred in such suit at trial, appellate, bankruptcy, and/or administrative proceedings.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be executed as of the date first written above by their respective officers thereunto duly authorized.

CONSENTING PARTY:

Spring Island Property Owners Association

By: David A. Westerlund
Name: David A. Westerlund
Title: President

ASSIGNOR:

CUC, Inc.

By: Susan B Mikell

Name: Susan B. Mikell

Title: President

ASSIGNEE:

South Carolina Water Utilities – CUC, Inc.

By: Craig Sorensen

Name: Craig Sorensen

Title: President

Exhibit A
Form of Support Letter

August _____, 2020

The Honorable Jocelyn G. Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Docket No. 2020-____-WS. Joint Application for Approval of the Sale of Assets and Transfer of Facilities, Territory and Certificate of Public Convenience and Necessity (the "Application") from CUC, Inc. ("CUC") to South Carolina Water Utilities, Inc. – CUC ("SCWU-CUC").

Dear Ms. Boyd:

I write to notify the Commission that the Spring Island Property Owners Association ("SIPOA") does not object to the above-referenced application. SIPOA, CUC and South Carolina SCWU-CUC have entered into the attached "Consent to Assignment and Assumption", which provides, among other things, that SCWU-CUC will not apply for a rate increase before January 1, 2025, if the Commission approves the transaction contemplated by the Application.

Sincerely,

Enclosure

EXHIBIT D
Agreement between Joint Applicants and
Callawassie Island Property Owners
Association

CONSENT TO ASSIGNMENT AND ASSUMPTION

THIS CONSENT TO ASSIGNMENT AND ASSUMPTION (this "Consent") is made and entered into as of this 2nd day of September, 2020, by and among Callawassie Island Property Owners Association (the "Consenting Party"), CUC, Inc. ("Assignor"), and South Carolina Water Utilities – CUC, Inc. ("Assignee").

In connection with the sale by Assignor of its business to Assignee (the "Transaction"), the Consenting Party hereby consents to the assignment to Assignee of the certain Water and Sewer Facility Sales and Operating Agreement, dated November 4, 1983 by and among Assignor, the Consenting Party (by assignment from Callawassie Island Company, L.P., by assignment from Callawassie Development Corporation, by assignment from Callawassie Island, Ltd. Partnership, by assignment from Three Fountain View Corporation) (the "Callawassie Agreement") and of the certain Water and Sewer Facility Sales and Operating Agreement, dated as of July 20, 1990 by and among Assignor, the Consenting Party (by assignment from Callawassie Island Development Company, LP) and Spring Island Property Owners Association (by assignment from Spring Island Company, LP) (as amended, the "Agreement"), such assignment being effective upon the closing of the Transaction. The Consenting Party and Assignee further acknowledge that the Callawassie Agreement and the Agreement shall continue following the closing of the Transaction in full force and effect in accordance with the terms and conditions thereunder.

The Consenting Party acknowledges that effective upon the closing of the Transaction, Assignee shall assume the liabilities and obligations of Assignor under the Callawassie Agreement and the Agreement to the extent that such liabilities or obligations first arise or accrue on or after the closing. Upon the closing of the Transaction, Assignee agrees to be bound by the terms and conditions of the Callawassie Agreement and the Agreement.

The Consenting Party's consent to the assignment of the Callawassie Agreement and the Agreement to Assignee is contingent upon, and by its execution hereof, Assignee hereby acknowledges, the following:

1. If (i) Consenting Party supports Assignee's filing with the South Carolina Public Service Commission (the "PSC") seeking approval of the Transaction (by delivering an executed letter on terms substantially similar to the form attached hereto as Exhibit A); (ii) Consenting Party files said letter with the PSC within thirty (30) days of notice from Assignee that it has filed its Application (as defined in the attached form of support letter) with the PSC and (iii) the closing of the Transaction occurs, then Assignee will not apply for a rate increase with the applicable governmental authorities until January 1, 2025 at the earliest.
2. If Assignee discovers that any of the systems, equipment or assets of Assignor violate any applicable law or governmental regulations, or otherwise pose a threat or create a risk to human health or the environment, Assignee will remedy such deficiencies or defects in an expedient manner and will not (other than in connection with a general rate increase before the PSC, which Assignee acknowledges it will not apply for until January 1, 2025 at the earliest) pass any costs associated with such remedial efforts on to the Consenting Party.

3. Assignor and Assignee acknowledge that nothing contained herein shall operate as a waiver of the Consenting Party's right of first refusal (as set forth in the Callawassie Agreement and the Agreement) if the Transaction does not close, nor the Consenting Party's right of first refusal in the event of a subsequent sale of the outstanding shares of, controlling interest in, or assets of, Assignee.

This Consent shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns. In the event that the Transaction is not consummated for any reason, then this Consent shall be null and void and of no force or effect. This Consent may be executed in multiple original or electronic counterparts, each of which is an original, but all of which shall constitute one instrument. This Consent shall be construed in accordance with the laws of the State of South Carolina. In the event it becomes necessary for either party hereto to file suit to enforce this Consent or any provision contained herein, the party prevailing in such suit shall be entitled to recover, in addition to all other remedies or damages, as provided herein, reasonable attorneys' fees, paralegal fees, and costs incurred in such suit at trial, appellate, bankruptcy, and/or administrative proceedings.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be executed as of the date first written above by their respective officers thereunto duly authorized.

CONSENTING PARTY:

Callawassie Island Property Owners Association

By: Clifford A. Dykes

Name: Clifford A. Dykes

Title: President of Callawassie Island
Property Owners Association

Signature Page to Consent to Assignment and Assumption

ASSIGNOR:

CUC, Inc.

By: Susan B. Mikell

Name: Susan B. Mikell

Title: President

ASSIGNEE:

South Carolina Water Utilities – CUC, Inc.

By:  _____

Name: CRAIG SORENSON

Title: PRESIDENT

Signature Page to Consent to Assignment and Assumption

Exhibit A

Form of Support Letter

August 25, 2020

The Honorable Jocelyn G. Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Docket No. 2020 - - WS. Joint Application for Approval of the Sale of Assets and Transfer of
Facilities, Territory and Certificate of Public Convenience and Necessity from CUC, Incorporated to South Carolina
Water Utilities, Inc. - CUC

Dear Ms. Boyd:

I write to notify the Commission that the Callawassie Island Property Owners Association ("CIPOA") does not object to the above-referenced application. CIPOA, CUC, Inc., and South Carolina Water Utilities - CUC, Inc. ("SCWU - CUC") have entered into the attached "Consent to Assignment and Assumption" which provides, among other things, SCWU-CUC will not apply for a rate increase before January 1, 2025, if the Commission approves the transaction.

Sincerely,

Enclosures (1)

WAIVER OF RIGHT OF FIRST REFUSAL

WHEREAS, Callawassie Island Property Owners Association ("CIPOA"), pursuant to that certain Water and Sewer Facility Sales and Operating Agreement (the "Callawassie Agreement"), dated as of November 4, 1983 by and among CUC, Inc. ("CUC") and CIPOA (by assignment from Callawassie Island Company, L.P., by assignment from Callawassie Development Corporation, by assignment from Callawassie Island Ltd. Partnership, by assignment from Three Fountain View Corporation), has a right of first refusal to purchase all of the issued and outstanding shares, assets, or a controlling interest therein of CUC in the event CUC or its sole shareholder, BWB, Inc., offers to sell, or enters into an agreement to sell such shares, assets or controlling interest, upon the same terms and conditions of any bona fide offer to or from any bona fide purchaser; and

WHEREAS, CIPOA, pursuant to that certain Water and Sewer Facility Sales and Operating Agreement (as amended, the "Agreement"), dated as of July 20, 1990 by and among CUC, CIPOA (by assignment from Callawassie Island Company, LP) and Spring Island Property Owners Association (by assignment from Spring Island Company, LP) has a right of first refusal to purchase all of the issued and outstanding shares, assets, or a controlling interest therein of CUC in the event CUC offers to sell, or enters into an agreement to sell such shares, assets or controlling interest, upon the same terms and conditions of any bona fide offer to or from any bona fide purchaser; and

WHEREAS, CIPOA has now been informed that CUC has received a bona fide offer to purchase its assets from South Carolina Water Utilities - CUC, Inc. ("Buyer"), CIPOA has entered a Mutual Confidentiality Agreement with CUC regarding said offer, and CIPOA has been in contact with CUC and representatives of Buyer to review the terms of that offer.

NOW, THEREFORE, CIPOA, through its undersigned officer, hereby asserts and acknowledges as follows:

CIPOA has received information regarding the terms and conditions of the offer to purchase the assets of CUC.

After a meeting with its officers authorized to make decisions on its behalf, CIPOA hereby waives, releases and relinquishes, its right of first refusal only as to the offer of Buyer to purchase the assets of CUC as noticed to CIPOA in CUC, Inc.'s May 4, 2020 correspondence to it and disclosed to CIPOA on July 14, 2020; provided, however, that nothing contained herein shall operate as a waiver or relinquishment of CIPOA's right of first refusal if CUC does not close on the sale of its assets to Buyer on the specific terms disclosed to CIPOA, nor CIPOA's right of first refusal in the event of a subsequent sale of the outstanding shares or controlling interest in, or assets of, the Buyer.

By signing below, the undersigned asserts that he is fully authorized to sign this Waiver of Right of First Refusal on behalf of CIPOA.

Witness my hand and seal this 2nd day of September, 2020.

WITNESS:

Lindsey Coder
Name: Lindsey Coder
expires: Feb. 8, 2020

CALLAWASSIE ISLAND PROPERTY OWNERS ASSOCIATION:

By: Clifford A. Dykes

Name: Clifford A. Dykes

Its: President of
Callawassie Island
Property Owners
Association